

NEIGHBORHOOD STABILIZATION PROGRAM
PROPOSED SUBSTANTIAL AMENDMENT TO
THE CONSOLIDATED PLAN/ ACTION PLAN FOR
MONTGOMERY COUNTY, MARYLAND
JULY 1, 2008 – JUNE 30, 2009

Web Address:

<http://www.montgomerycountymd.gov/apps/dhca/index.asp>

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Background

Montgomery County has been awarded \$2,073,965 in funding from the United States Department of Housing and Urban Development (HUD) for a “Neighborhood Stabilization Program” (NSP). This program has been authorized under Title III of the Housing and Economic Recovery Act of 2008 to assist jurisdictions in addressing housing foreclosures. This funding is provided through HUD’s Community Development Block Grant (CDBG) Program, and Montgomery County is required to amend its existing plan for the expenditure of CDBG funds to include the funding for this new initiative.

In addition to the federal funding that has been directly provided to Montgomery County, the County will also apply through the State of Maryland for additional NSP funds that the State has been awarded.

It should be noted that because the federal source of funds for the NSP is through the Community Development Block Grant (CDBG), only those areas in the county that are participating with the county under the CDBG program are covered by Montgomery County’s NSP. This means, for example, that although the City of Gaithersburg has areas within the city limits that are identified as areas of great need, the City is not participating with Montgomery County

Waiver Request

As part of this submission, Montgomery County is requesting a waiver from HUD of the maximum allowable pre-award costs allowed by regulation so that, upon approval of the waiver, and prior to the effective date of the grant agreement for the NSP funding award, Montgomery County can use other funds to incur eligible costs that will then be reimbursed with NSP funds once the grant agreement is executed. Approval of this

waiver will not result in pre-award costs that will affect future grants. A copy of the waiver request may be viewed [here](#).

A. AREAS OF GREATEST NEED

Priority emphasis for NSP funding must be directed to the areas of greatest need, including those with the greatest percentage of home foreclosures, those with the highest percentage of homes financed by a sub-prime mortgage related loan, those likely to face a significant rise in the rate of home foreclosures and those identified as meeting other need categories as determined by Montgomery County.

The Maryland Department of Housing and Community Development analyzed the distribution of Montgomery County communities by their foreclosure activity and economic vitality from the 1st quarter 2007 to the 1st quarter 2008. The indices used for foreclosure activity were foreclosure number, foreclosure rate and sub-prime share. The indices used for economic vitality were household growth, homeownership rate, household income and home price change. Information was presented by zip code and mapped. The participating areas of greatest need according to this analysis were parts of Wheaton, Aspen Hill and Silver Spring (20906, 20905, 20904, 20903, 20902), Montgomery Village (20886), Burtonsville (20866), Rockville (20853) and Germantown (20874, 20876). See map by clicking on “Montgomery” using this site: <http://www.neighborhoodrevitalization.org/NCl.aspx>

In addition, the Department of Housing & Community Affairs (DHCA) has recently undertaken a data-driven analysis of the County by Community Analysis Zones (a geography smaller than a census block group) to determine areas that may benefit from a more comprehensive neighborhood assistance approach overall. The areas identified as a high priority for assistance are neighborhoods substantially within those zip codes identified by the State in its analysis of foreclosure activity and economic vitality. These include, but are not limited to, CAZs 65, 300 and 302. The “hot spots” identified are Aspen Hill (20906), Germantown (20874) and Montgomery Village (20886). The most recent analysis of County data may be viewed as a PowerPoint presentation [here](#).

We also reviewed the areas that appear “at risk” for foreclosed and abandoned homes in the data at http://www.huduser.org/publications/commdevl/nsp_target.html provided by HUD to assist jurisdictions in targeting areas of greatest need. This data, when mapped, identified substantially the same areas as identified by both the State of Maryland and Montgomery County.

While the data analyzed from local, state and federal sources discussed above addresses the three stipulated need categories for NSP targeting, additional information is provided below.

B. DISTRIBUTION AND USES OF FUNDS

- *Greatest percentage of Home Foreclosures*

The State of Maryland has determined a number of areas within Montgomery County, including jurisdictions that participate with the county in its CDBG program and are thereby eligible for NSP funding, by zip code that can be considered “hot spots” based on data from the second quarter 2008 on property foreclosures in Maryland. The zip codes in this category are: 20874 and 20876 in Germantown, 20886 in Montgomery Village and 20902, 20904 and 20906 in Wheaton/Aspen Hill/Silver Spring. The report on *Property Foreclosures in Maryland Second Quarter 2008* is provided by the Maryland Department of Housing and Community Development. Currently the report is located at <http://www.mdhope.org/>. Additional information, with maps of foreclosure activity, is available through the Maryland-National Park and Planning Commission http://mcparkandplanning.org/research/data_library/housing/foreclosures/M-NCPPCResearch-Housing_Foreclosures.shtm

- *Highest percentage of Homes financed by a sub-prime mortgage related loan*

HUD’s Office of Policy Development and Research, through HUD USER, has mapped the Washington DC sub-prime lending markets, including information for the DC-VA-MD market area of which Montgomery County is a part. This information may be viewed at <http://www.huduser.org/maps/subprime.html>. Sub-prime share was also included as one of the indices in the foreclosure activity analysis done by the state as discussed above. Based on this data, there is overlap that indicates that areas with the greatest number of foreclosure events are also generally those areas with high percentages of homes financed by sub-prime loans, including portions of zip codes 20906 and 20886.

- *Areas identified by Montgomery County as likely to face a significant rise in the rate of home foreclosures*

On April 4, 2008, the State of Maryland enacted changes to the foreclosure law. This law effectively increased the pre-foreclosure period from 15 days to 135 days. According to *Property Foreclosures in Maryland Second Quarter 2008*, prepared by the Maryland Department of Housing and Community Development, while Montgomery County accounted for 14.7 percent of the foreclosure events in Maryland during this period, the impact of the change in the law has been to reduce the number of foreclosure sales. According to RealtyTrac data analyzed by the Maryland Department of Housing and Community Development, of the 817 Notices of Foreclosure Sale, Montgomery County had 76, representing 9.3 percent of the total statewide. For this same period, however, Notices of Mortgage Loan Default increased by 15.3 percent to 1,162. Montgomery County’s share of the default notices, at 15.3 percent, was the second largest in the state for this period. Given the

current patterns of pre-foreclosure activity, we expect those zip codes already mentioned are the ones most likely to face increases in the rate of home foreclosures.

- *Other need categories*

Areas of County investment

Montgomery County has invested and continues to invest substantial resources to develop and preserve housing throughout the County that is affordable to low-moderate- and middle-income residents. Efforts have stabilized neighborhoods, preserved or increased the supply of affordable housing and enhanced the quality of life for residents. Often the County has invested heavily in the area's housing stock through acquisition and rehabilitation loans or has otherwise committed public resources. While most of these areas of substantial investment are in the zip codes already identified, there are areas that may fall outside these zip codes. To protect the County's investment and preserve the gains made, these areas will be considered for NSP funding for eligible activities.

C. DEFINITIONS AND DESCRIPTIONS

(1) Definition of "blighted structure" in context of state or local law.

Montgomery County Code (COMAR 56-9 (d)) defines blighted structure as a structure that has declined in productivity by reason of obsolescence, depreciation or other causes to an extent they it no longer justifies fundamental repairs and adequate maintenance. This definition is required by HUD as part of this submission and is applicable to eligible demolition activities. Montgomery County does not propose any demolition activities using NSP funds.

(2) Definition of "affordable rents."

Generally, rent will be considered affordable if it and tenant paid utilities (based on a utility allowance schedule in use by the Montgomery County Housing Opportunities Commission or as otherwise approved by DHCA) does not exceed 30% of the monthly adjusted household income. Other definitions of affordability may be allowed with the consent of the DHCA Director to the extent necessary to comply with the requirements of other funding sources.

(3) Describe how the grantee will ensure continued affordability for NSP assisted housing.

Montgomery County will use the HOME program standards at 24 CFR 92.252(a), (c), (e) and (f) and 92.254 to ensure continued affordability for NSP assisted housing.

(4) Describe housing rehabilitation standards that will apply to NSP assisted activities.

Montgomery County will use Chapter 26 of the County's Housing Code and Housing Quality Standards (HQS) as a minimum rehabilitation standard adjusted as necessary to provide energy efficiency activities and to accommodate accessibility repairs and additional affordable housing for larger income-eligible households as currently used for our CDBG funded rehabilitation activities.

D. LOW INCOME TARGETING

We anticipate allocating the entire initial funding award of \$2,073,963 to the NSP Rental Initiative activity, noting that up to ten percent, or \$207,000, of the funding award may be used for staff charges and other allowable administrative expenses. We anticipate that not less than 90% of activity funds will serve families at or below 50 percent of Area Median Income (AMI), substantially exceeding the program requirement that at least 25 percent of funds be used to assist households with incomes that do not exceed 50 percent of AMI.

E. ACQUISITIONS & RELOCATION

Montgomery County does not intend to demolish or convert any low-and moderate-income dwelling units with NSP funds.

F. PUBLIC COMMENT

Provide a summary of public comments received to the proposed NSP Substantial Amendment.

All comments regarding any of the information presented must be prepared in writing and submitted to Mr. Stevens Brown, Community Development Division, at DHCA, 100 Maryland Avenue, 4th floor, Rockville, MD 20850 or via email at Stevens.brown@montgomerycountymd.gov by 5:00 p.m. on or before November 14, 2008. All comments received by this date will be considered, and a summary of these comments will be attached to the proposed amendment. If a comment is not accepted, the reasons for non-acceptance will be included. Upon request to Mr. Rainey, information will also be made available in alternative formats, with assistance provided to those wishing to comment as needed. Montgomery County will provide a summary of all public comments received on the proposed NSP substantial amendment on its website.

G-1. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

- (1) Activity Name: **MONTGOMERY COUNTY NSP RENTAL INITIATIVE**
- (2) Activity Type: NSP eligible use: (B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or redevelop such homes and properties; CDBG governing regulations: CDBG: 24 CFR 570.201(a) Acquisition, (b) Disposition, and 24 CFR 570.202 Rehabilitation
- (3) National Objective: This activity will benefit low, moderate and middle income persons, as defined in the NSP Notice (i.e., $\leq 120\%$ of area median income (AMI)).
- (4) Projected Start Date: No later than the Release of funds date. However, Montgomery County has requested a waiver from HUD under 24 CFR 570.200(2) to waive the \$300,000 limit on pre-award expenditures to enable the County to begin program implementation and property acquisition in November, 2008.
- (5) Projected End Date: Montgomery County fully expects to commit all program funds within nine to twelve months of Release of Funds. Montgomery County will, at a minimum, commit all NSP funds no later than 18 months from the date of Release of Funds and expend all NSP funds no later than 4 years from the date of Release of Funds as required by regulation.
- (6) Responsible Organization: Montgomery County will primarily partner with the Housing Opportunities Commission, and, to a limited extent, with other non-profit organizations to acquire, rehabilitate and rent NSP assisted properties to income-eligible households primarily at or below 50 percent AMI. The contact person for Montgomery County will be Luann Korona, Chief, Community Development Division, Department of Housing and Community Affairs, 100 Maryland Ave. 4th Floor, Rockville Maryland 20850.
- (7) Location Description: NSP activities will be primarily focused in Zip Codes 20874, 20876, 20877, 20878, 20879, 20886, 20902, 20904, 20906; properties in other areas that meet the specific needs of the intended occupants may also be acquired.
- (8) Activity Description:
- Montgomery County has determined that currently the areas of greatest need are located in the zip codes enumerated above. By executing agreements and partnering with non-profit housing providers, we will assist with acquisition and rehabilitation of vacant and foreclosed upon properties to provide affordable rental housing. A minimum of 90 percent of the households served will have incomes at or below 50 percent of AMI. In addition to directing NSP funding to the areas of greatest need, we will be providing affordable rental housing suitable for low-income households, addressing a critical housing need in Montgomery County as well. Montgomery County will use the HOME program standards referenced in C(3) above to ensure continued affordability for NSP assisted housing. While the affordability requirements of C(3) above apply as a minimum, HOC and any nonprofit housing providers with whom we would partner have

as a mission the provision of affordable housing. Working with these partners will help ensure continued affordability.

The discount rate for acquisition will meet or exceed program requirement such that all purchases will be at a minimum 5% discount from current appraised market value, and the aggregate discount for all properties acquired will be a minimum of 15% or 10% as otherwise allowed through use of a discount equivalent to the total carrying costs that would be incurred by the seller if the property were not purchased with NSP funds.

Funds provided to nonprofit partners for acquisition and rehabilitation will primarily be in the form of grants; any loans that may be provided will be at interest rates from 0-3% subject to underwriting of individual properties and the amounts and terms of any private mortgage financing.

I. Total Budget: We anticipate allocating the entire initial funding award of \$2,073,963 to the NSP Rental Initiative activity, noting that up to ten percent, or \$207,000, of the funding award may be used for staff charges and other allowable administrative expenses. We anticipate that not less than 90% of activity funds will serve families at or below 50 percent of Area Median Income (AMI).

J. Performance Measures : Based on estimated average acquisition/rehabilitation assistance per property of \$250,000, Montgomery County expects approximately 7 properties to be acquired, rehabilitated and rented; a minimum of 90 percent of the renter households will have income levels of 50 percent of area median income or below.

G-2. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name: **MONTGOMERY COUNTY NSP HOMEOWNERSHIP INITIATIVE**

(2) Activity Type: NSP eligible use: (B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or redevelop such homes and properties. CDBG governing regulations: 24 CFR 570.201(a) Acquisition, (b) Disposition, and (n) Direct homeownership assistance, and 24 CFR 570.202 Rehabilitation and counseling

(3) National Objective: This activity will benefit low, moderate and middle income persons, as defined in the NSP Notice (i.e., $\leq 120\%$ of area median income (AMI)).

(4) Projected Start Date: No later than the Release of funds date. However, Montgomery County has requested a waiver from HUD under 24 CFR 570.200(2) to waive the \$300,000 limit on pre-award expenditures to enable the County to begin program implementation and property acquisition in November, 2008.

(5) Projected End Date: Eighteen months from Release of funds for full funding commitment and four years for full expenditure.

(6) Responsible Organization: Montgomery County will provide funds and technical assistance to income eligible purchasers to acquire and rehabilitate (if needed) homes through second-trust mortgage loans. The contact person for Montgomery County will be Luann Korona, Chief, Community Development Division, Department of Housing and Community Affairs, 100 Maryland Ave. 4th Floor, Rockville Maryland 20850.

(7) Location Description: NSP activities will be primarily focused in Zip Codes 20874, 20876, 20877, 20878, 20879, 20886, 20902, 20904, 20906 and in other areas in which a significant need for these services has been identified and documented.

(8) Activity Description:

Montgomery County has determined that currently the areas of greatest need are located in the zip codes enumerated above, with particular attention given to the Montgomery Village area. While Montgomery County will utilize other, non-NSP, funding to assist with homebuyer activities and already has established a strong relationship with Habitat for Humanity of Montgomery County in this regard, this information is being provided to identify the option for a homebuyer assistance activity using NSP funds, especially should additional NSP funds be provided in addition to this initial allocation.

By providing mortgage loans, funds and technical assistance for rehabilitation as needed, DHCA may assist income-eligible, first-time homebuyers. Priority will be given to purchasers identified through the HOC family self-sufficiency program, Habitat for Humanity of Montgomery County or from DHCA's list of eligible Moderately Priced Dwelling Unit households or other lists of potential purchasers as determined by DHCA. No household may have an income greater than 120 percent of AMI, but it is expected

that purchasers would have incomes below this amount. The income eligibility of home purchasers will be thoroughly verified prior to approving financial or technical assistance to ensure NSP income eligibility, and a minimum of 8 hours of home ownership and financial counseling will be provided to the purchaser prior to funding any home purchase. The affordability requirements of C(3) above apply.

All NSP purchases will be at a minimum 5% discount from current appraised market value, and the aggregate discount for all properties acquired will be a minimum of 15% or 10% as otherwise allowed through use of a discount equivalent to the total carrying costs that would be incurred by the seller if the property were not purchased with NSP funds. Funds provided may be in the form of grants or loans; any loans that may be provided will be at interest rates from 0-3% subject to underwriting of individual properties and the amounts and terms of any private mortgage financing.

I. Total Budget: It is not anticipated that NSP funding will be made available for this activity at this time; however, should this activity be undertaken in the future, approximately \$300,000 per property for acquisition/rehabilitation assistance is estimated.

J. Performance Measures : One homebuyer per every \$300,000 provided; all homebuyers with household incomes not to exceed 120 percent of AMI.

CERTIFICATIONS

(1) **Affirmatively furthering fair housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.

(2) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR Part 87, together with disclosure forms, if required by that part.

(3) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.

(4) **Consistency with Plan.** The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.

(5) **Acquisition and relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.

(6) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.

(7) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.

(8) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.

(9) **Use of funds in 18 months.** The jurisdiction will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008 by using, as defined in the NSP Notice, all of its grant funds within 18 months of receipt of the grant.

(10) **Use NSP funds \leq 120 of AMI.** The jurisdiction will comply with the requirement that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income.

(11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(12) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (1) a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and (2) a policy of enforcing applicable State and local laws against physically barring entrance to or exit from, a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

(13) **Compliance with anti-discrimination laws.** The NSP grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

(14) **Compliance with lead-based paint procedures.** The activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

(15) **Compliance with laws.** The jurisdiction will comply with applicable laws.